



EUROPEAN CENTRAL BANK

EUROSYSTEM

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# **Introduction to TARGET Instant Payments Settlement (TIPS)**

**I**

**TIPS** Main Pillars

**2**

**TIPS** as Part of a Vision

**3**

**TIPS** Functional Overview

# Why TARGET Instant Payments Settlement?

The Eurosystem decided in September 2016 to launch an investigation phase for TIPS

- TIPS extends the availability of central bank money (CeBM) settlement to **24/7/365**, to facilitate the emergence of instant payments

The investigation phase will, among others:

- Elaborate the **user requirements** for TIPS
- Define the **business case**

Objectives of the Eurosystem:

- Euro area not to lag behind in speed of payments
- Promote **efficiency** and ensure market **integration** in the settlement of instant payments

## Principles: Foundation of the Service



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**



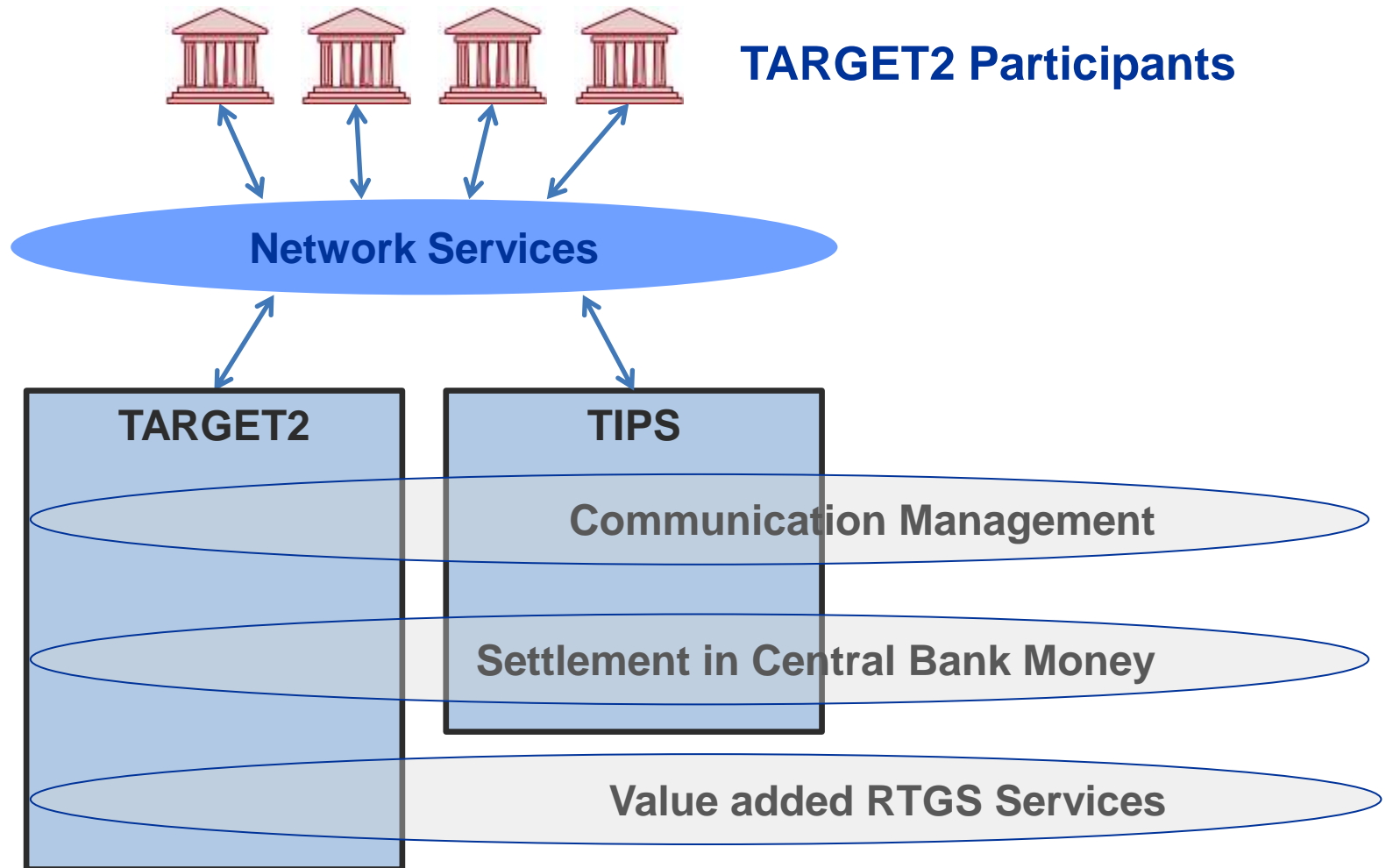
**Multi-currency** technical capability

## Additional Principles

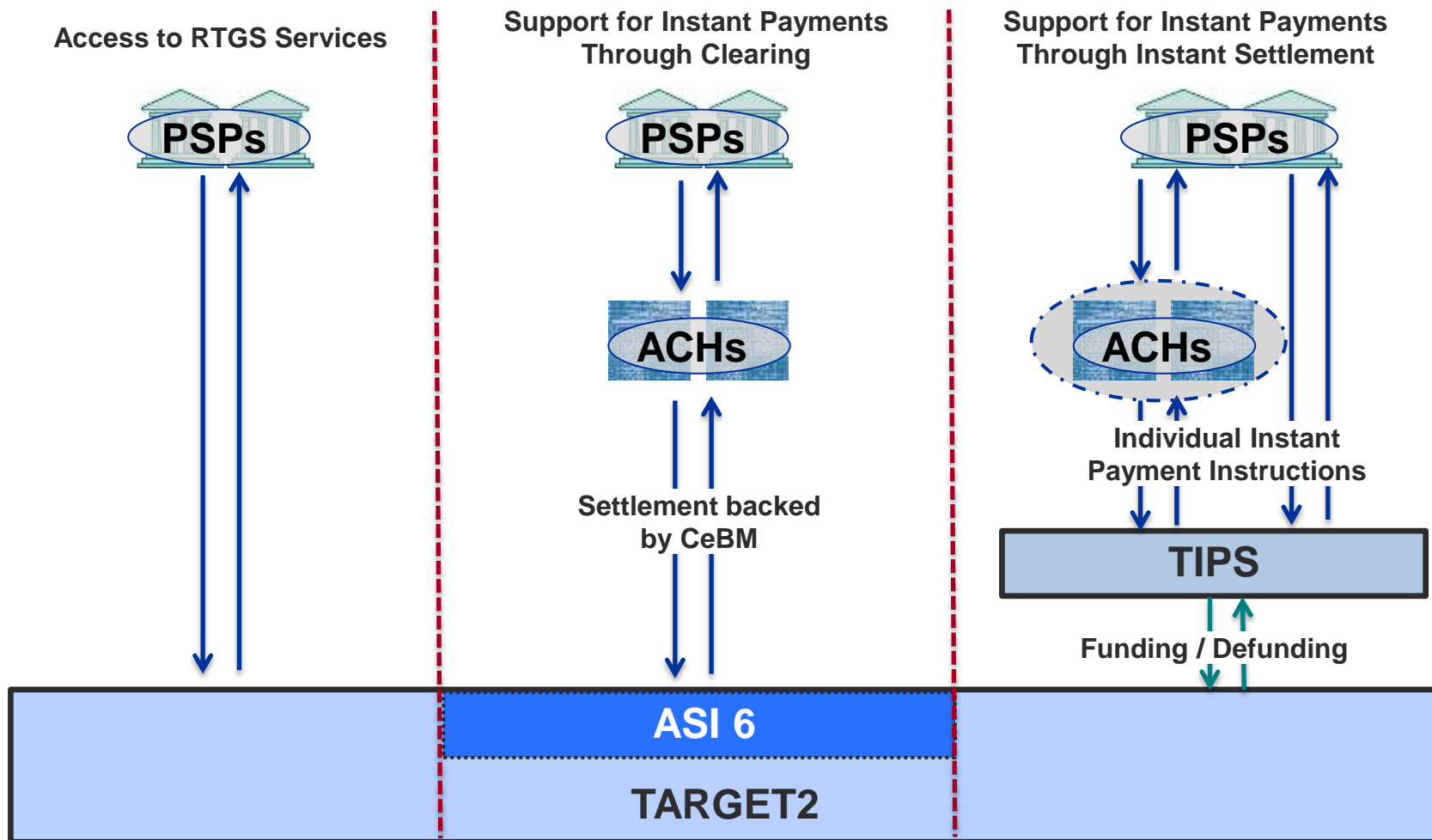
- Technical solution for providing instant payments settlement services
- Offers final and irrevocable settlement
- Participation in TIPS is not mandatory
- To be developed and operated by the Eurosystem assuming full ownership
- Lean, harmonised and standardised pan-European service



## Integrated TARGET Services

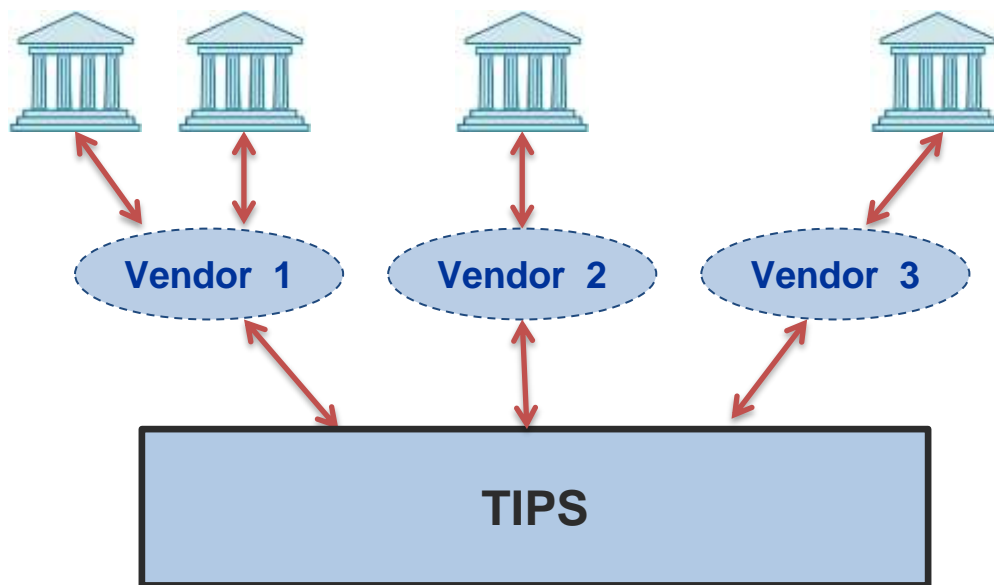


## Co-existence of Payment Services



## Connecting to TIPS

- TIPS will be a network vendor agnostic service
- The intention is to let TIPS Participants decide the network vendor they each intend to use, as long as this network vendor is certified by the Eurosystem





# How much will TIPS cost?

- Considering the principle of full cost recovery, we are assessing the possibilities of achieving full cost recovery with from **0.5 to 1 cent** per instruction
- We want to gather the interest of market participants in using the service at this price
- This is not at this stage a commitment, but rather an exploration of market interest

## Time Plan

	2016		2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4



- **Early January '17**  
Submission of a draft User Requirements Document (URD) version to the Market
- **January – February '17**  
7 weeks of consultation with the Market on the draft URD
- **June '17**  
Decision to develop the service based on the results of the Investigation phase
- **May '18**  
Start of Eurosystem internal system testing
- **August '18**  
Start of pilot testing involving users
- **November '18**  
TIPS Go-live

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## Eurosystem Collateral Management System (ECMS)

Shared system for the mobilisation and management of collateral used in Eurosystem credit operations

- reducing market fragmentation
- allowing easy and efficient mobilisation of collateral to the Eurosystem both domestically and across borders
- contributing to the European Capital Markets Union



Back-office tool for monetary policy **counterparty operations**



Common service for central banks to **manage** eligible **collateral**



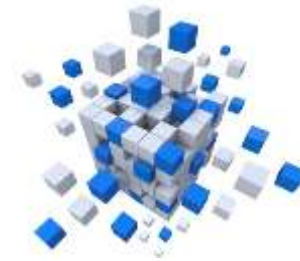
Central platform to implement **monetary policy**

## Consolidation of TARGET2 and T2S



### Technical consolidation

- Improve **efficiency**
- Cut down **operational costs**
- Increase **cyber resilience**
- Align **messaging standards** (ISO20022)
- Integrate **newest technology**
- **Multiple Network** Service Providers



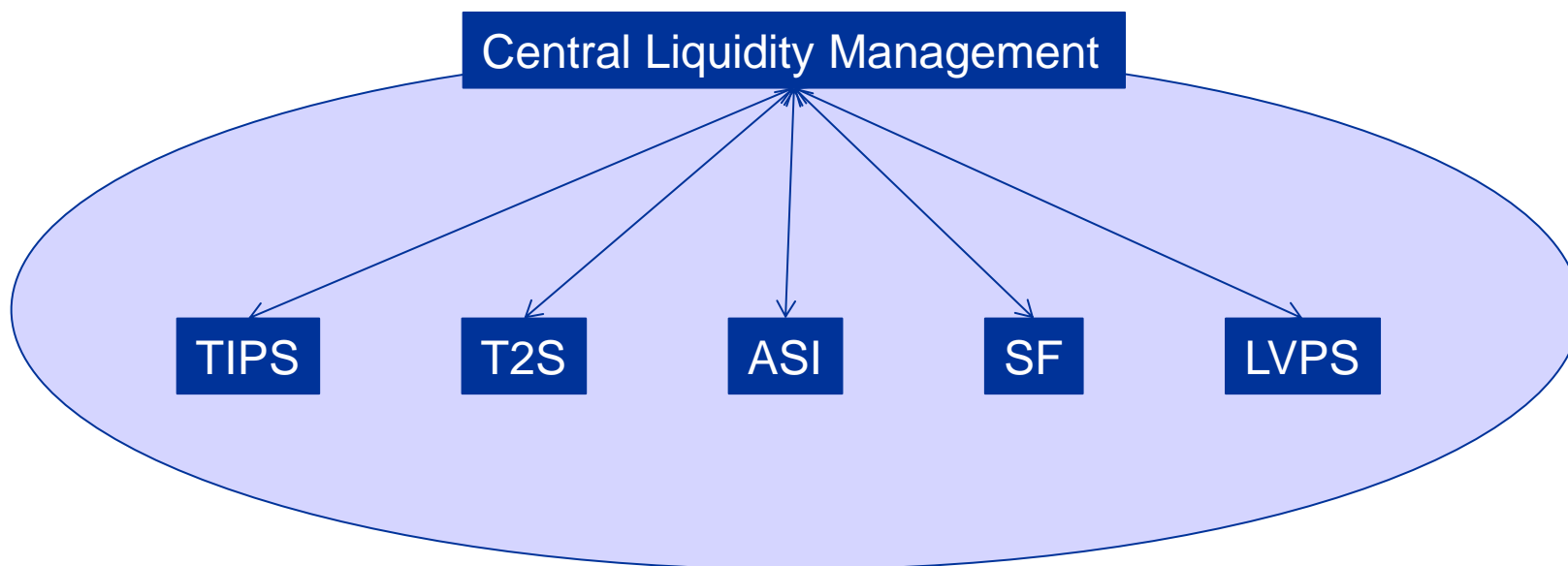
### Enhanced RTGS services

- **Multi-currency** services
- **Liquidity management** services
- **Data analysis** and **business intelligence** services
- Services related to supporting **regulatory compliance**

## Modularising Eurosystem Market Infrastructure

Consolidate Eurosystem Market Infrastructure into a more modular structure

- Liquidity Management
- Reference Data
- Billing



## Modularising Eurosystem Market Infrastructure

### Expected Benefits:

- Credit lines need to be handled only in one place, but the generated liquidity becomes available in all areas
- Clear segregation of monetary policy related activities (marginal lending, overnight deposits) from normal payment activities
- The individual, dedicated pots of liquidity can be managed by different settlement engines, thus allowing the reuse of existing components from T2S/TIPS

### Impacts:

- Will require changes in the way banks interact with the market infrastructure

## Consolidated Reference Data

### Expected Benefits:

- Reduced maintenance effort for reference data items that are used by more than one market infrastructure services (e.g. BIC directory, accounts information, party information, users)
- Reduced duplication of information avoids inconsistencies
- Reduced number of software modules required for maintaining reference data in the different market infrastructures
- Consistent data maintenance process across different market infrastructures

### Impacts:

- Will require changes on how reference data is accessed from the different existing market infrastructures



## Common Billing Module

Aggregate all billable events across different Eurosystem market infrastructures and generate a consolidated invoice for Banks, CSDs and other counterparties

Expected Benefits:

- Reduction of scope and thus costs for the individual market infrastructures
- Consolidated process eliminates the risk of inconsistencies in the invoicing

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## TIPS Service Scope

**SCT Inst scheme compliant settlement service for participants to allow the transfer of funds instantly from an originator to a beneficiary**

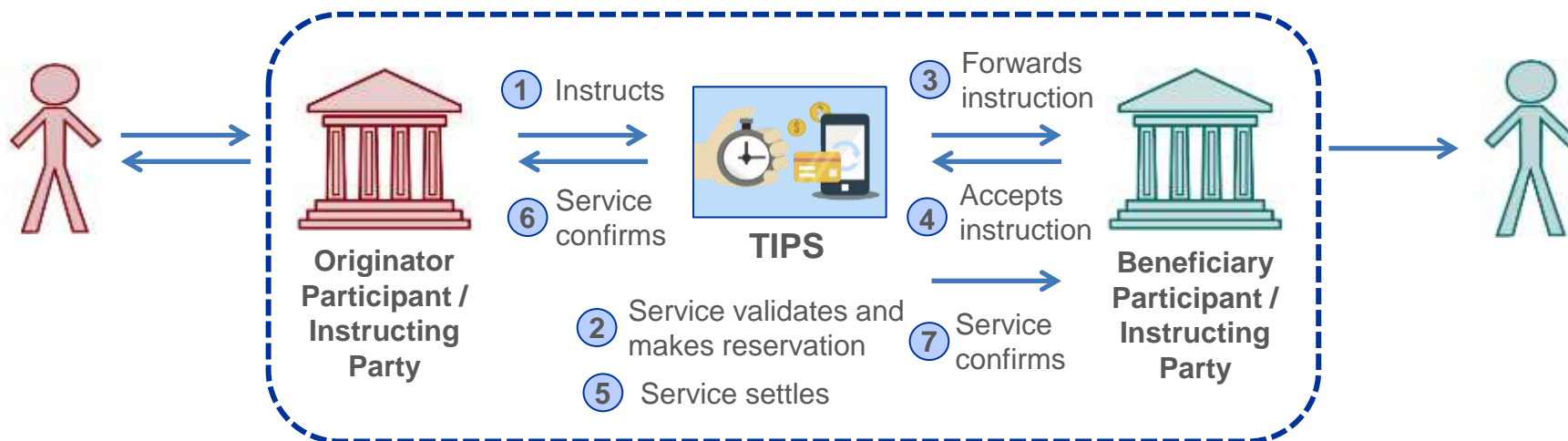
### In Scope

- Routing services to forward the SCT Inst instructions from the originator participant to the beneficiary participant
- Instant settlement of the SCT Inst instructions accepted by the beneficiary participant
- Immediate transmission of status messages after settlement
- Liquidity transfers between RTGS systems and TIPS using camt.050 messages

### Out of Scope

- Liquidity transfers between TIPS accounts
- Additional services (e.g. mapping of mobile numbers to IBANs)

## Compliant with SCT Inst Scheme



1. TIPS receives an instant payments instruction
2. TIPS validates and reserves the amount (conditional settlement)
3. TIPS forwards the instruction for acceptance to the beneficiary participant or the party acting on its behalf
4. TIPS receives a positive confirmation
5. TIPS settles the payment
6. TIPS confirms the settlement to the originator participant or the party acting on its behalf
7. TIPS confirms the settlement to the beneficiary participant or the party acting on its behalf

## Become a Participant?

- Participation rules same as those applied in **TARGET2**
- You may open either one account or many accounts to service your clients
- You may let other parties (ACHs, technical service providers) instruct on your behalf



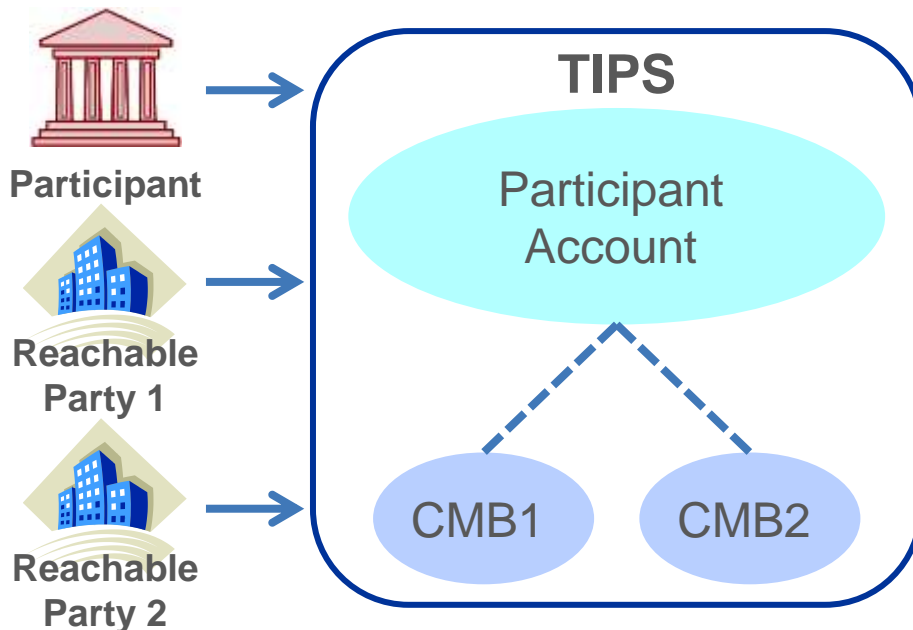
## Do not want to open a TIPS account?

- Be a Reachable Party in TIPS if you adhere to the SCT Inst scheme, but do not want to open a TIPS account
- You can have a contractual agreement with a Participant to use its TIPS account for settlement
- Participants may set limits for clients using the Credit Memorandum Balance functionality



## Credit Memorandum Balance (CMB) Limits

- CMB functionality allows Reachable Parties that do not have a cash account in TIPS, to send and receive payment instructions using a participant's TIPS account
- CMBs allows Participants to set maximum limits for the Reachable Party



- Settlement in Central Bank money
- Efficient limit management without splitting liquidity

## Use Case 1/2 – Defaulted Accounts/CMBs



Participant P1



TIPS



IP for Reachable Party R1

### TIPS account structure of P1

P1 Account

### Payment Transaction

Originator BIC = BIC P1  
Beneficiary BIC = BIC R1  
Amount = 100

### TIPS account structure of P2

P2 Account

CMB1  
User: R1

CMB2  
User: R2

CMB3  
User: R3

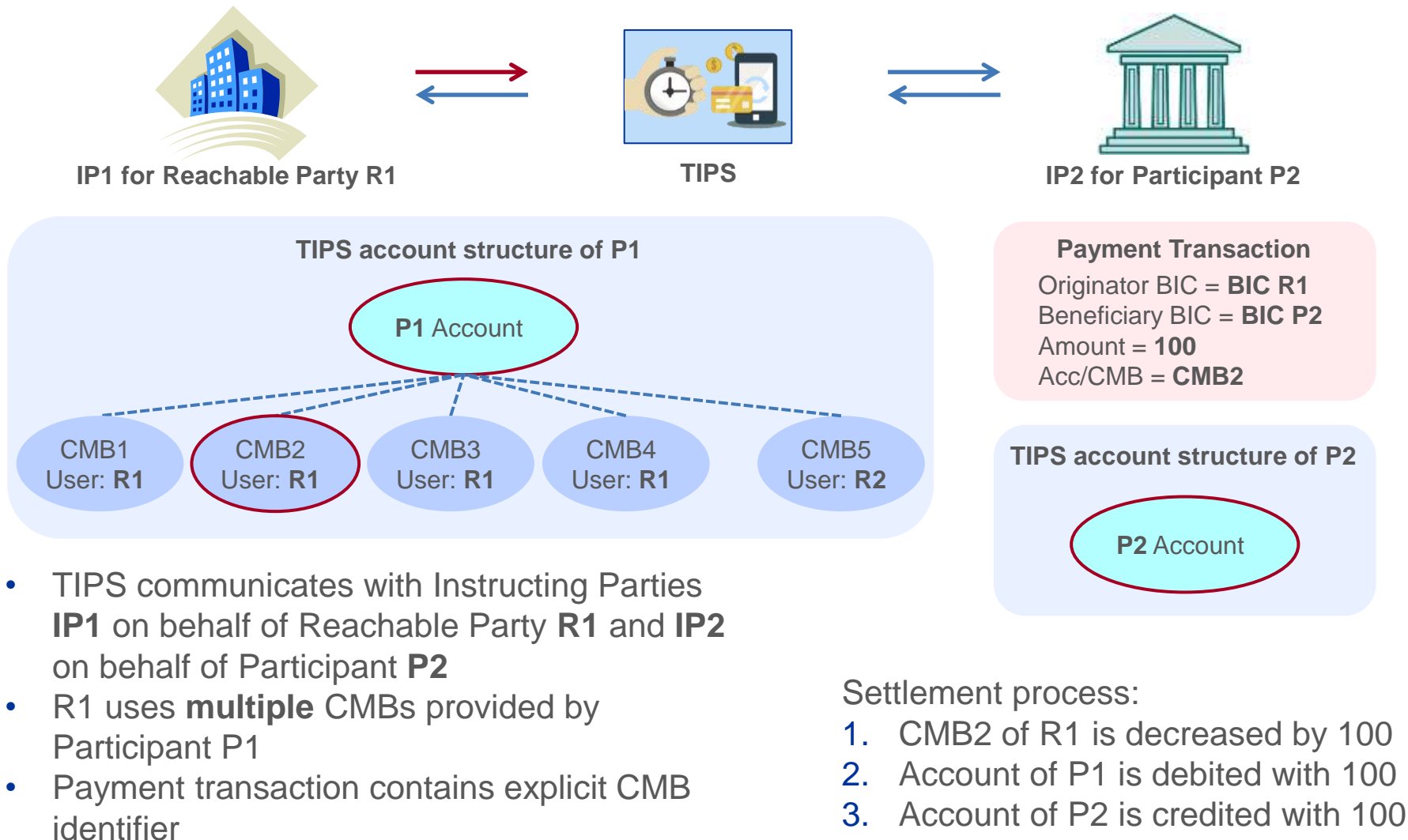
- TIPS communicates with Participant **P1** and Instructing Party **IP** on behalf of Reachable Party **R1**
- R1 uses one CMB provided by Participant P2
- TIPS account/CMB identifiers are defaulted from the BICs

### Settlement process:

1. Account of P1 is debited with 100
2. CMB of R1 is increased by 100
3. Account of P2 is credited with 100



## Use Case 2/2 – Explicitly Provided Accounts/CMBs



## Liquidity management

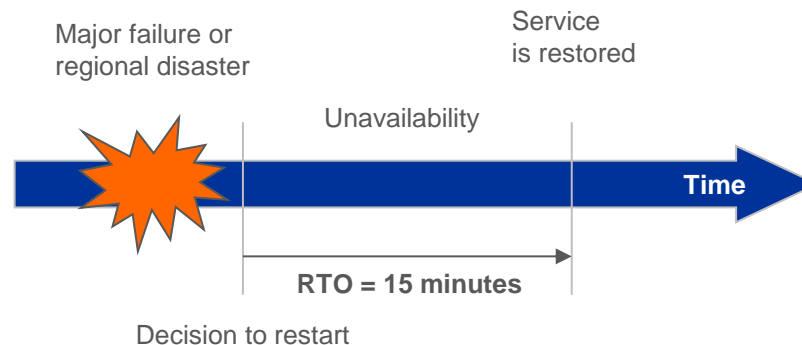
- You may use TARGET2 to fund liquidity to TIPS
- TIPS account balances will be counted in minimum reserve computations



- Usage of collateral and automated liquidity management could be available in the context of T2-T2S consolidation

## Non-Functional Highlights

- State of the art technology architecture scalable enough to support future pan-European instant payments volumes
- Meets timing and speed requirements of the SCT Inst scheme
- Available 24/7/365
- Advanced disaster recovery objectives: Recovery Point Objective of zero data loss and Recovery Time Objective of 15 minutes



# Information Services

- Real-time statuses of transactions
- Configurable daily reports
- Statement of all transactions to support you in reconciliation
- Queries to support you in investigations
- Daily raw data to support archiving, billing, advanced queries & reports and statistics



# Thank you for the attention!

[www.ecb.europa.eu/paym](http://www.ecb.europa.eu/paym)

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