TARGET instant payment settlement (TIPS)
Questions and answers

Who can open a TIPS account?
Any institution that has its own PM or HAM account on the TARGET2 single shared platform can open a TIPS account. Furthermore, interested parties are required to sign the Adherence Agreement of the European Payments Council (EPC) before they can participate in the SEPA instant credit transfer scheme.

How does an instant credit transfer work in TIPS?
Payments in TIPS are settled using separate accounts, which are also known as TIPS DCAs (short for Dedicated Cash Accounts). The amount to be transferred is blocked on the TIPS account of the originator bank before the payment message is sent to the beneficiary bank. The beneficiary bank checks the payment and sends confirmation to TIPS, following which the blocked amount is booked with finality and corresponding settlement confirmations are sent by TIPS. In the event of a negative response by the beneficiary bank, the blocked amount on the account of the originator bank is released again and the originator bank receives a corresponding notification.

How fast is an instant credit transfer and what does timeout mean?
The SEPA instant credit transfer scheme prescribes that the payer’s bank must apply a time stamp to credit transfers and should receive a positive or negative response regarding the execution of the payment within 10 seconds of this time stamp being issued. If no response is received from the beneficiary bank after 20 seconds, TIPS pronounces a timeout and sends a rejection message to the originator bank. The credit transfer is then deemed to have failed and the amount that was blocked when the payment was submitted is released. The beneficiary bank also receives notification of the rejection owing to a timeout.

How are TIPS accounts supplied with liquidity?
TIPS accounts are supplied with liquidity through credit transfers from accounts (PM accounts) held in the Payments Module of the TARGET2 Single Shared Platform. If a TIPS account is technically linked to a PM account via a “LM link”, the account balance of the TIPS account can be displayed in the Information and Control Module (ICM) of TARGET2 and liquidity can be moved from there directly in both directions (i.e. from the linked PM account to the TIPS account and vice versa). Up to ten TIPS accounts are allowed to be linked to a single PM account. To ensure 24/7 availability for instant credit transfers, credit amounts remain on the TIPS accounts.
overnight, i.e., there is no automatic reverse transfer to the PM account at the end of a business day. Furthermore, TIPS accounts can be provided with liquidity through incoming instant payments.

**What are the particularities for HAM account holders participating in TIPS?**

Liquidity transfers are not possible between HAM accounts and TIPS DCAs. In principle, it is not essential for an institution to have its own PM account to participate in TIPS, as TIPS accounts can be supplied with liquidity from any PM account (see the section “How are TIPS accounts supplied with liquidity?”). It is therefore possible to commission another institution to provide liquidity to a TIPS account. However, for reasons related to the invoicing of TIPS fees and charges, it is mandatory that every TIPS account is linked to a PM account via a LM link. Any PM account can be used for this.

**What are the particularities for internet participants?**

TARGET2 internet participants have access to limited functions only. For example, they cannot transfer liquidity to TIPS DCAs. The opening of a TIPS DCA is therefore only recommended for institutions that have their own SWIFT access to TARGET2 or that mandate other institutions with SWIFT access to TARGET2 to provide liquidity to their TIPS DCA.

**Do TIPS accounts accrue interest and are they taken into account in the calculation of the minimum reserve?**

Credit balances on TIPS accounts are incorporated into the TARGET2 end-of-day balance. At the end of each TARGET2 business day, the credit balances on the TIPS accounts are taken into consideration both in terms of ensuring compliance with the minimum reserve requirements and when making recourse to automated overnight credit. For this purpose, it is necessary to link the relevant TIPS account to a PM or HAM account of the same participant using an “RM/SF link”. To set up this link, both the PM account (or HAM account) and the linked TIPS account must be held with the same central bank. An “RM/SF link” is set up independently of an “LM link”.

Any excess reserves are taken into account when calculating the fees for the holding of credit balances (“negative interest”).

**What fees are incurred for participation in TIPS?**

In the first two years of operation, a transaction fee of a maximum of 0.2 euro cent per transaction will be charged for the settlement of instant credit transfers. There are no fixed fees or account management charges. Charges for liquidity transfers are levied in TARGET2 in accordance with the relevant TARGET2
fee schedule.

**How does invoicing occur for instant credit transfers in TIPS?**
The total transaction fees for the instant credit transfers submitted in a billing period will be invoiced to the holder of the PM account connected via “LM link”.
The charges for payments in TIPS are shown on the TARGET2 invoice as a separate item and are collected together with the fees for the linked PM account. Charges for liquidity transfers are calculated in accordance with the TARGET2 fee schedule for the PM account to which they are debited or credited.

**Can a bank without its own TIPS account also make instant credit transfers in TIPS?**
Yes. It is possible to register as a reachable party via a TIPS-participant. Payments from or for a reachable party are then settled on the TIPS account of the participant. Participants are also not required to have their own TARGET2 account to be able to register as a reachable party. The only requirements are that participants can be reached in TIPS by means of their own business identifier code (BIC) and that they have signed the EPC’s Adherence Agreement to be able to participate in the SEPA instant credit transfer scheme. If necessary, the account holder can limit the use of the account by a reachable party by setting special limits.

**What is an instructing party?**
Both TIPS participants and reachable parties can either exchange messages directly with TIPS themselves or appoint a third party, known as an instructing party, to do so on their behalf. This could be, for example, a (different) participant, a technical service provider or a clearing house.

**Are account statements provided in TIPS?**
Participants with direct access, ie with a technical connection, have the option of receiving account statements via the (A2A) communication channel used for the message exchange with TIPS. Participants who have commissioned an instructing party to exchange messages for them cannot receive the account statements themselves. However, they can authorise the instructing party to receive the account statements on their behalf. Participants can, however, check the current account balance of their TIPS DCA at any time using the TIPS GUI. Reachable parties that do not have their own TIPS DCA do not receive any account statements.

**How does communication with TIPS occur?**
Communication with TIPS occurs via an application-to-application (A2A) connection and a user-to-application (U2A) connection. A graphical user interface – the TIPS GUI – is provided for the
U2A connection with TIPS. Whereas the initiation of payments is only possible via the A2A connection, liquidity transfers and queries, for example, can also be initiated via the TIPS GUI. Master data are generally created and managed via the U2A connection.

**Which network providers are available?**

With regard to the selection of a network provider for the A2A and U2A connection, TIPS follows an open approach. In principle, a participant can select any network provider whose services meet the technical requirements described in the document “TIPS Connectivity – Technical Requirements” (see also the section “Where can I find further information about TIPS?”) and who has successfully completed a compliance check. The procedure for nominating a network provider can be found in the TIPS Connectivity Guide.

The following network providers will be available at the time of the operational launch of TIPS, provided that they have successfully completed the compliance check by the end of August 2018: SWIFT SCRL, SIA S.p.A., Bank-Verlag GmbH, EFiS EDI Finance AG and PPI France. Potential additional network providers can undergo a compliance check from 2019 onwards.

**What is the time schedule for the operational launch of TIPS?**

Initially, potential participants had the opportunity to notify their competent central bank by the end of March 2018 of their interest in participating in TIPS and to indicate which network provider they would like to use. Based on these responses, it was then determined which network providers should undergo the compliance check, which is to be completed by the end of August 2018.

Parallel to the compliance checks, participants are also being registered, ie accounts are being opened and master data created. The relevant forms will be made available in the second quarter of 2018.

The pilot tests for the operational launch will begin in early September 2018 and must be completed by mid-November 2018. **TIPS is scheduled to go live on 30 November 2018.**

**Where can I find further information about TIPS?**

General information about TIPS can be found on our website [www.bundesbank.de](http://www.bundesbank.de) under Tasks → Payments systems → Enhancements of market infrastructure.

In the sub-section TARGET instant payment settlement (TIPS) → Further information, you will also find, for instance, links to the TIPS technical specifications as well as to further documents.
https://www.europeanpaymentscouncil.eu/what-we-do/participating-schemes

LM: Liquidity management
RM / SF: Reserve management / standing facilities