

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 (SSP) can open a TIPS account. In addition, interested parties are required to participate in the SEPA Instant Credit Transfer scheme by signing the Adherence Agreement of the European Payments Council (EPC)¹.

How does an instant credit transfer work in TIPS?

Payments in TIPS are settled using separate accounts, which are also known as TIPS dedicated cash accounts (“DCAs”). 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 held in the Payments Module of the TARGET2 SSP (PM accounts). If a TIPS account is technically linked to a PM account via a “LM link”², 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 a “RM/SF link”.³ 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. A “RM/SF link” is set up independently of a “LM link”.

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

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. Reachable parties are also not required to have their own TARGET2 account. The only requirements are that reachable parties can be reached in TIPS by means of their own business identifier code (BIC) and that they participate in the SEPA Instant Credit Transfer scheme by signing the EPC’s Adherence Agreement. 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 system.

What is an AS technical account in TIPS?

Between December 2021 and February 2022, the technical accounts of clearing systems processing instant payments will be migrated from TARGET2 to TIPS. They are referred to as ancillary systems (AS) of TARGET2 and TIPS. Liquidity required by participants to settle payments in the AS is collected on these technical accounts. After the migration to TIPS, liquidity will be provided solely via TIPS DCAs and therefore funding will also be possible outside the operating times of TARGET2. In addition, AS technical accounts can be used to settle payments between participants of different clearing systems (cross-ACH payments).

What fees are incurred for participation in TIPS?

A transaction fee of 0.2 euro cent per transaction is 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 pricing scheme. Liquidity transfers between TIPS DCAs and the AS technical accounts of clearing systems will be free of charge.

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 billed to the holder of the PM account connected via a "LM link".

Until November 2021, the charges for payments in TIPS will be shown on the TARGET2 invoice as a separate item and collected together with the fees for the linked PM account. From December 2021 onwards, TIPS fees will be invoiced and collected separately.

In accordance with the TARGET2 pricing scheme, charges for liquidity transfers are invoiced to the holder of the PM account to which the liquidity transfers are debited or credited.

Are account statements provided in TIPS?

Participants receive account statements via one or more technical addresses ("party technical addresses"). The account statements can be received as full reports at the end of the business day or as delta reports at configurable time intervals. They are sent in push mode via the file-based store-and-forward communication channel. Furthermore, participants can check the current account balance of their TIPS DCA at any time using the TIPS GUI.

Reachable parties do not receive any account statements since they do not have their own TIPS DCAs.

How does communication with TIPS occur?

Technical access to TIPS is facilitated via the Eurosystem Single Market Infrastructure Gateway (ESMIG). The ESMIG provides a single access point for directly connected actors to access TARGET Services. Access to the ESMIG is provided by the two Network Service Providers (NSP) selected by the Eurosystem which are SIA-COLT and SWIFT.

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. Reference data are generally created and managed via the U2A connection.

Where can I find further information about TIPS?

General information about TIPS can be found on our website [TIPS | Deutsche Bundesbank](#).

In the sub-section “Information for participants”, you will also find, for instance, links to the TIPS technical specifications as well as to further documents.

¹<https://www.europeanpaymentscouncil.eu/what-we-do/participating-schemes>

²LM: Liquidity management

³RM/SF: Reserve management/standing facilities