



EUROPEAN CENTRAL BANK

EUROSYSTEM

TIPS 2020 pricing review

AMI-Pay

3 December 2020

1

TIPS settlement fee

2

Impact on pricing from the **pan-European reachability measures**

Options for an IP following the pan-European reachability measures

PSP1 should be able to choose for any instant payment whether to follow option A, B or C irrespective of what **PSP2** does.

Option A:

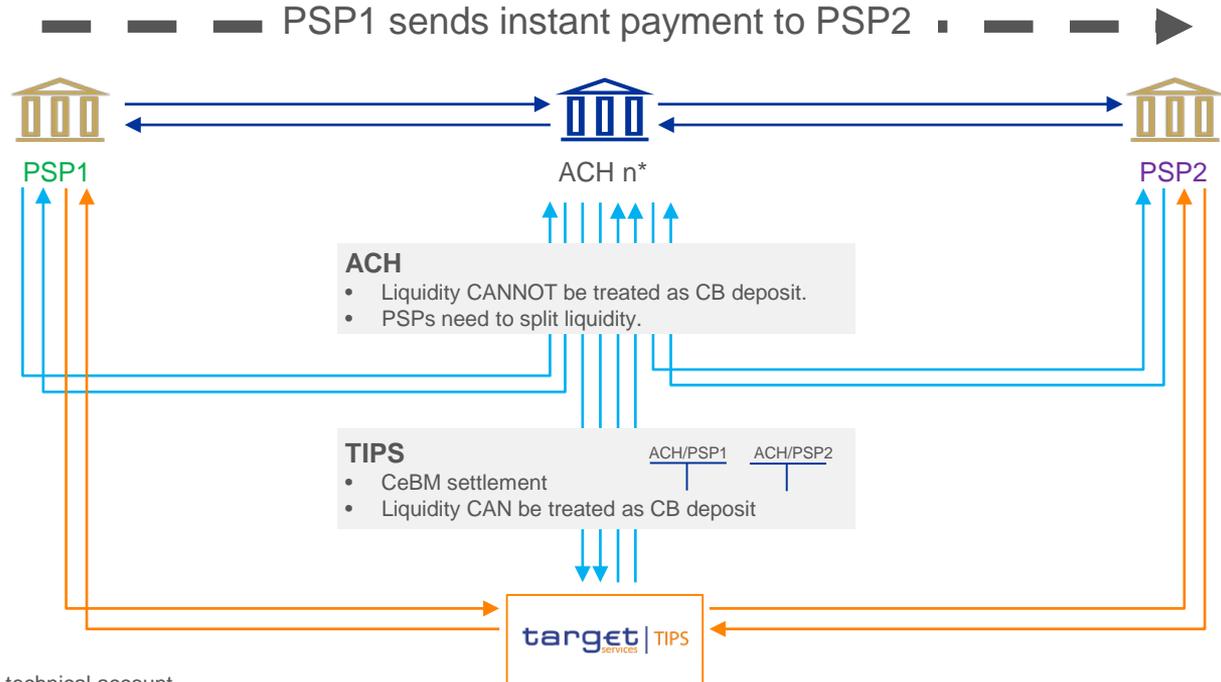
Instruct in ACH and settle in ACH

Option B:

Instruct in ACH and settle in TIPS

Option C:

Instruct in TIPS and settle in TIPS



* If **PSP1** and **PSP2** use different ACHs, the ACHs' technical account in TIPS is used

Note: The arrows represent instructions. Bookings across accounts are not displayed.

Guiding principles for the pricing for pan-European reachability

1

Promote **the European single market**



2



Promote the use of **Central Bank money** for the settlement of instant payments

3

Ensure **full proportionality** of the fees to the underlying level of activity



Decisions taken by the Governing Council in November 2020

1

To keep the **TIPS settlement fee** at **EUR 0.002** (0.20 Eurocents)

2

To **extend the applicability** of the **TIPS settlement fee** to ACH technical accounts, which are to be implemented as of November 2021 (TIPS CR-0033)

3

To introduce an **ACH fee**, proportional to the number of instant payments settled in the respective ACH, priced at **EUR 0.0005** (0.05 Eurocents) per payment settled in the ACH

4

To keep the new price levels **stable** at least until **November 2023**

Options for instant payments following the pan-European reachability

Instruct in ACH and settle in ACH

ACH provides finality in its own books fully backed by CeBM guarantee

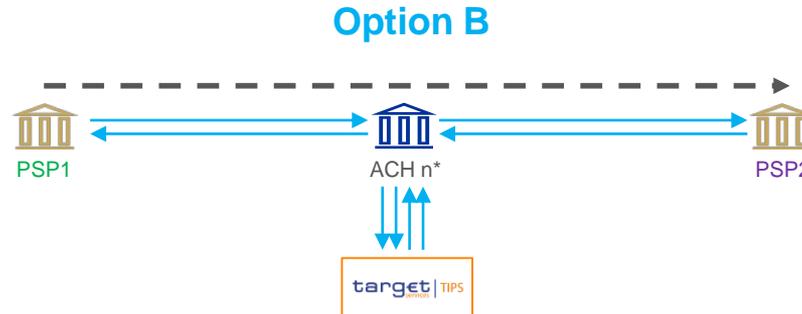


EUR 0.0005

For any instant payment settled internally in an ACH backed by a guarantee in CeBM

Instruct in ACH and settle in TIPS

PSP instructs in ACH and ACH instructs in TIPS

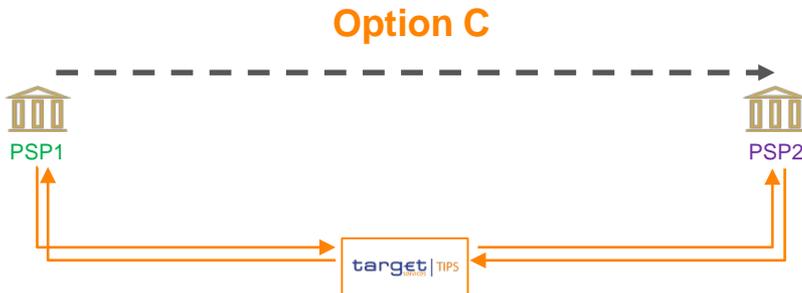


EUR 0.002

For any instant payment settled in TIPS

Instruct in TIPS and settle in TIPS

No ACH involvement for sending PSP



EUR 0.002

For any instant payment settled in TIPS

* If PSP1 and PSP2 use different ACHs, the ACHs' technical account in TIPS is used.

Note: The arrows represent instructions. Bookings across accounts are not displayed.

Pricing for pan-European reachability

ACH fee (proportional to transaction volumes)
0.0005 EUR/Transaction

TIPS settlement fee
EUR 0.002

Option A

- ✓ **Uniform unit price** per any SCT Inst transaction settled internally* in the respective ACH.
- ✓ Reflects value of **providing access to CeBM 24/7/365** for instant payments and **pan-European reachability**.
- ✓ The price level **may be reviewed on an annual basis** once SCT Inst volumes have grown significantly.
- ✓ Targeted contribution similar to AS fees share in T2
- ✓ The total annual fees charged to an ACH with 10 million of annual internally settled SCT Inst transactions **would amount to EUR 5,000**.

Option B

- ✓ For **any transaction being settled in a TIPS account**, irrespective of whether ACH technical account or DCA is used.
- ✓ The fee is charged to the **account holder of the debited account**.

Option C

The price levels are to remain at least until **November 2023**

* Due to the fact that this information is only available internally, each ACH will be requested to share the related number of transactions with its NCB, similar to the process for TARGET2 today.

Way forward

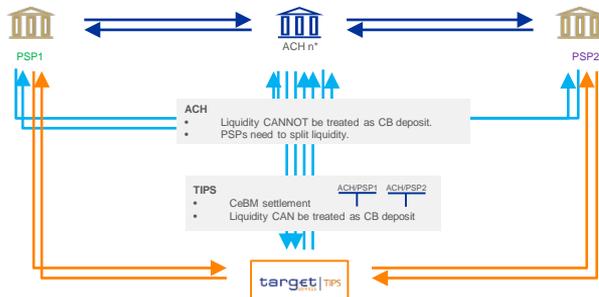
- ✓ **Revised TIPS pricing will be published** on ECB website following today's AMI Pay meeting
- ✓ **TARGET Services pricing guide** (announced with publication of T2 pricing) is planned for publication in **Q1 2021**
- ✓ **No financial consequences** linked to an ACH's decision for a certain migration window (i.e. **migration timing will be financially neutral**)

Thank you for your attention!

Annex

Domestic or intra-ACH transactions

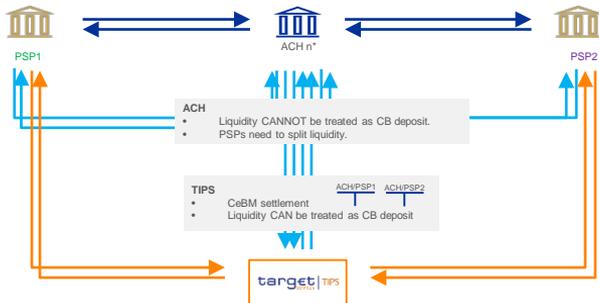
- α and ϵ are the **elements of the pricing scheme** that can be defined by the Eurosystem.
- The **total cost for both PSPs** will depend on:
 - the decision of the ACH(s) on how to pass on the Eurosystem charges and how to distribute them across the PSPs,
 - TIPS connectivity costs,
 - on the margin charged by the ACH to cover its own costs and profit which are outside the control of the Eurosystem.



Pricing scheme elements		Opt. A	Opt. B	Opt. C
ACH fee	α	0.0005		
ACH cost & margin & connectivity cost	δ	X	Y	
TIPS settlement fee paid by the payer PSP	ϵ		0.002	
TIPS connectivity cost for sending party (paid by ACH [B] or PSP [C])	λ		0.001 (SIP)	0.001
TIPS connectivity cost for receiving party (paid by ACH [B] or PSP [C])	μ			0.0015
Total cost paid by PSPs (if ACH pass on all related costs)	$\alpha + \delta + \epsilon + \lambda + \mu$	0.0005 + X	0.003 + Y (with SIP) 0.0045 + Y (w/o SIP)	0.0045
Fees charged by TIPS per transaction	$\alpha + \epsilon$	0.0005	0.002	0.002

Cross-border or inter-ACH transactions

- In **A1**, TIPS is not used for settlement, because the **ACH has a pan-European capacity** to process a payment where payer and payee are in different countries.
- In **A2 and B**, TIPS is used for settlement in CeBM. In **A2**, the ACH is instructing a cross-ACH payment on its technical account.
- In **B**, the **ACH acts as instructing party** and TIPS uses the PSPs accounts to settle.



Pricing scheme elements		Opt. A1	Opt. A2	Opt. B	Opt. C
ACH fee applied to the ACH where the payment originates	α	0.0005			
ACH(s) cost & margin & connectivity cost	δ	X	Y		
TIPS settlement fee for the sending party (paid by: [A2]: ACH [B]: PSP [C]: PSP)	ϵ		0.002		
TIPS connectivity cost for sending party (paid by: [A2]: ACH [B]: ACH [C]: PSP)	λ		0.001		
TIPS connectivity cost for receiving party (paid by: [A2]: ACH [B]: ACH [C]: PSP)	μ		0.0015		
Total cost paid by PSPs (if ACH pass on all related costs)	$\alpha + \delta + \epsilon + \lambda + \mu$	0.0005 + X	0.0045 + Y	0.0045	
Fees charged by TIPS per transaction	$\alpha + \epsilon$	0.0005	0.002	0.002	0.002