

IN FOCUS

TARGET instant payments settlement (TIPS) – what and who?

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TARGET Instant Payment Settlement (TIPS)

TIPS is the new service for the settlement of instant payments

TIPS will enable citizens and firms to transfer money between each other in real time, 24/7 and 365 days a year



Ambition

The ECB wants to ensure that the demand for instant payments is met at European level and foster the integration of the euro area

Participants in TARGET2

Direct participant	1,076
Indirect participant	701
Multi-addressee (CI)	31
Multi-addressee (Branch of direct)	1,524
Addressable BIC (correspondent)	5,072
Addressable BIC (Branch of direct)	31,062
Addressable BIC (Branch of indirect)	2,790
Addressable BIC (Branch of correspondent)	10,202

TIPS is in an optimal position to facilitate **pan-European reachability** thanks to the extensive **network** of participants/ addressable BICs in **TARGET2**



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TARGET2



TARGET2 is the the real-time gross settlement (RTGS) system owned and operated by the Eurosystem

- €10.7 trillion settled in ~six days
(=the Euro area's annual GDP)
- Monetary policy operations; interbank payments; other transactions from payment and securities settlement
- ❖ Since 2015, TARGET2 participants may open dedicated cash accounts to settle the cash leg of securities transactions on the **TARGET2-Securities (T2S)** platform

TIPS as extension of TARGET2

TIPS has been designed as an **extension** of TARGET2:

- Extend access to central bank money up to **24/7/365**
- Amended TARGET2 **guidelines** to include participation in TIPS
- TARGET2 participants may open TIPS accounts to settle **instant payments**
- Balance on TIPS accounts included in the calculation of **Minimum Reserve Requirement** on the basis of a “snapshot” triggered at the TARGET2 End-of-Day

Technical solution

TARGET2 technical solution could not be used for TIPS due to:



End-to-End processing time within 10 seconds

Large volume of transaction and scalability requirements



Availability around the clock (no daily maintenance window)

Need to deploy changes without interrupting the service



Scope of the TIPS service

Instant
settlement
services
only



Real-time
information on
the status of
transactions and
liquidity transfers



Compliant with
**SEPA Instant
Credit Transfer**
scheme



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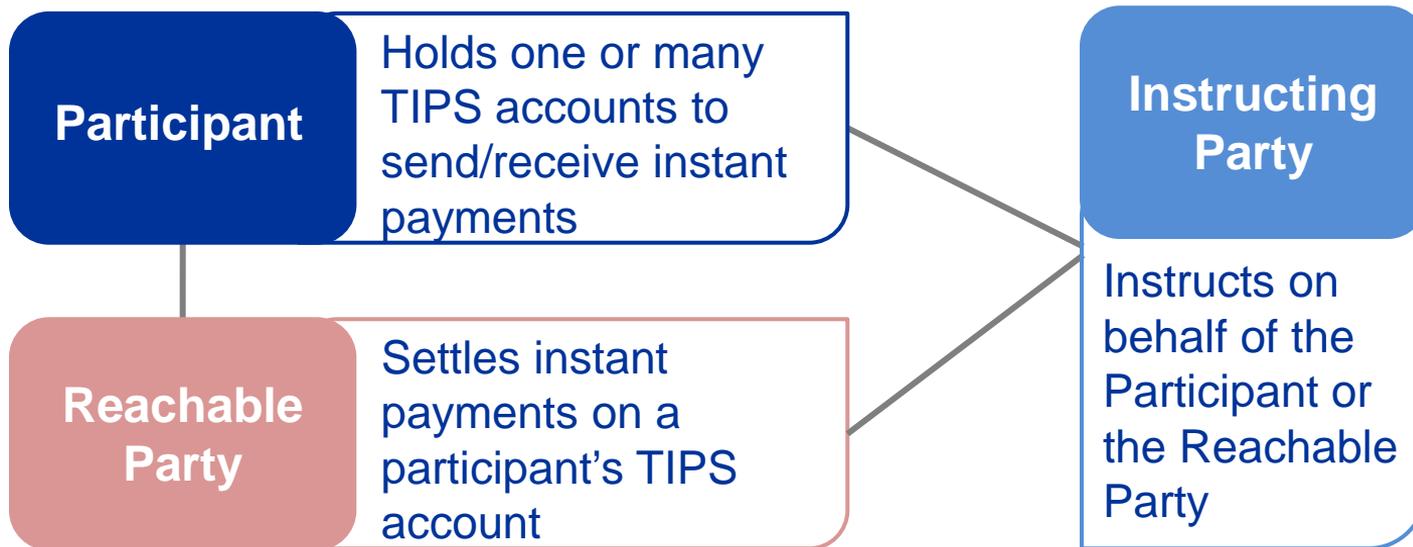
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Actors in TIPS

Same participation rules apply as in TARGET2.

Participants should be eligible for accessing Central Bank Money



Market involvement – past

In September 2016 the **investigation phase** to assess the market needs for the service was launched



Task Force on Settlement of Instant Payments



Market consultations on the **User Requirements Document** for TIPS and **Volume Expectations** (closed 24/02/2017)



“TIPS on Tour” to present the service to European market representatives

Market involvement – future

TIPS Contact Group (TIPS-CG) will be set up as a technical group with the participation of:



- Representatives of PSPs
- Representatives of ACHs or other service providers that intend to operate as an Instructing Party in TIPS
- Central banks of the Eurosystem on a voluntary basis
- Central banks of other EU member states that decide to use the TIPS service
- Service Providing Central Bank(s) of the TIPS service

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Pricing scheme

TIPS will be developed and operated under the principle of **full cost recovery**.

The pricing scheme is designed to facilitate **high reachability**:



No entry fees



No fixed fees



No account management/information fees



*Maximum price per instruction equal to
0.20 eurocents for the first two years*

- ❖ The Eurosystem will monitor the interest around TIPS with its forecast volumes and might review the price per instruction downwards

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Way forward

- A “**TIPS contact group**” will be set up to discuss implementation/technical topics during the realisation phase
- The ECB intends to sign the **self-declaration letter** on the EPC scheme compliance
- **User Detailed Functional Specifications (UDFS)** and **User Hand Book (UHB)** are foreseen to be available during the first quarter of 2018
- **Pilot testing** is expected to start in September 2018, preceded by user training

Time plan

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

Investigation phase

- ✓ **January '17**
Submission of a draft *User Requirements Document* (URD)
- ✓ **January – February '17**
7 weeks of Market consultation on the URD
- ✓ **June '17**
Decision to develop the service

Realisation phase

- **July '17**
Start of the functional specifications and development
- **May – June '18**
Start of Eurosystem Acceptance Testing
- **August – September '18**
Start of pilot testing involving users
- **November '18** 
TIPS Go-live



Thank you for the attention!

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