EUROPEAN CENTRAL BANK

EUROSYSTEM

TIPS Project Team

Task Force on TARGET Instant Payments Settlement

5th Task Force Meeting
9 March 2017

Scope Related Topics

Floor/Ceiling Notifications

- TIPS Actors can set threshold in the system, i.e. a specific floor (minimum amount) and / or a ceiling (maximum amount) referring to a specific account/CMB. In case a posting results in a balance exceeding the defined ceiling limit or the balance falls under the defined floor limit, TIPS sends a notification to the TIPS actors concerned stating the balance/limit. Also balances/limits, which meet exactly the Floor-/Ceiling amount result in a notification.

- The notification would be made via an ISO 20022 standard message (camt.004).

Example:

T_1: Account balance (CMB Limit) = 10 EUR
Floor = +5 EUR
Ceiling = +15 EUR
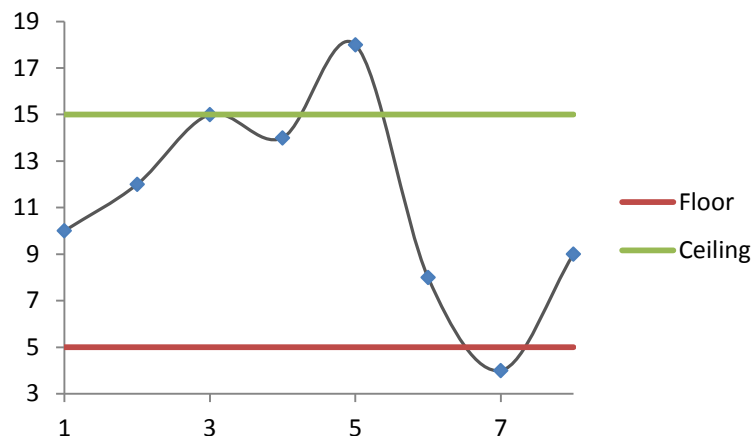
T_2: Account is credited +2 EUR→ New balance 12 EUR.

T_3: Account is credited +3 EUR→ New balance 15 EUR. **A ceiling notification is sent to the Participant**.

T_4: Account is debited -1 EUR→ New balance 14 EUR.

T_5: Account is credited +4 EUR→ New balance 18 EUR. **A ceiling notification is sent to the Participant**.

T_6: Account is debited -10 EUR→ New balance 8 EUR.

T_7: Account is debited -4 EUR→ New balance 4 EUR. **A floor notification is sent to the Participant**.

T_8: Account is credited +6 EUR→ New balance 6 EUR.

Opening and Closing Dates for Accounts and CMBs

- TIPS accounts and CMBs now have **opening dates** and **closing dates**

- Payment transactions are rejected in case the current date is not compatible with

  - (i) the account's opening and closing date; or

  - (ii) the CMB's and underlying account's opening and closing date

- Closed accounts are deleted if there are no funds left

- If an account balance is not zero on the closing date, the liquidity will be blocked; the responsible Central Bank can then repatriate the liquidity (which is still taken into account for the minimum reserve calculation)

Reference Data Activation Times

- Reference data (e.g. accounts, CMBs, links between BICs and Instructing Parties, floor/ceiling values) is maintained in a *Common Reference Data Module* (CRDM), which is part of the T2-T2S consolidation project

- The URD version 0.1 published for market consultation contained a reference data effect timeframe of no more than 24 hours

- In the current version of the URD reference data changes are propagated at a fixed time once per RTGS business day to TIPS, i.e. as of the next RTGS business day

- Exceptional changes, such as account/CMB blocking, can still be in effect immediately

Optionally Provided TIPS Account/CMB Identifiers

- The URD version 0.1 published for market consultation contained a functionality to optionally provide

  - the account/CMB to be debited in the payment transaction

  - the account/CMB to be credited in the Beneficiary Participant reply

- As agreed during the last Task Force meeting this feature has been removed

- Each Participant and Reachable Party BIC is now linked to one account or CMB, which will be used for settlement of instant payments

- An account can be used by multiple Participants or Reachable Parties (i.e. by multiple BICs)

- As a result certain message validations can now be executed earlier in the process (e.g. the check on the blocking status of an account)

# Clarification Regarding Recall Process

- A new message called **Recall Answer Confirmation** has been added

    - Sent to the sender of the positive recall answer in case settlement took place

    - Could potentially be a pacs.002

- TIPS does not check for links between a recall and the referenced payment transaction

    - Data is not kept in memory for an extended period of time

    - Recalls could be initiated up to 13 months after settlement of the original payment transaction

Investigation Process

- Based on market feedback the investigation process section of the user requirements document has been reworked

- In addition to a query which is accessible to both, the originator and beneficiary side, TIPS now provides an investigation process compliant with the SCT Inst scheme:

  - An **status inquiry** can be submitted by the Originator Participant or Instructing Party (according to the SCT Inst interbank implementation guidelines a pacs.028 message)

  - TIPS replies with its internal settlement status

- Since TIPS has the settlement information, the status inquiry is not forwarded to the Beneficiary Participant (or Instructing Party acting on behalf)
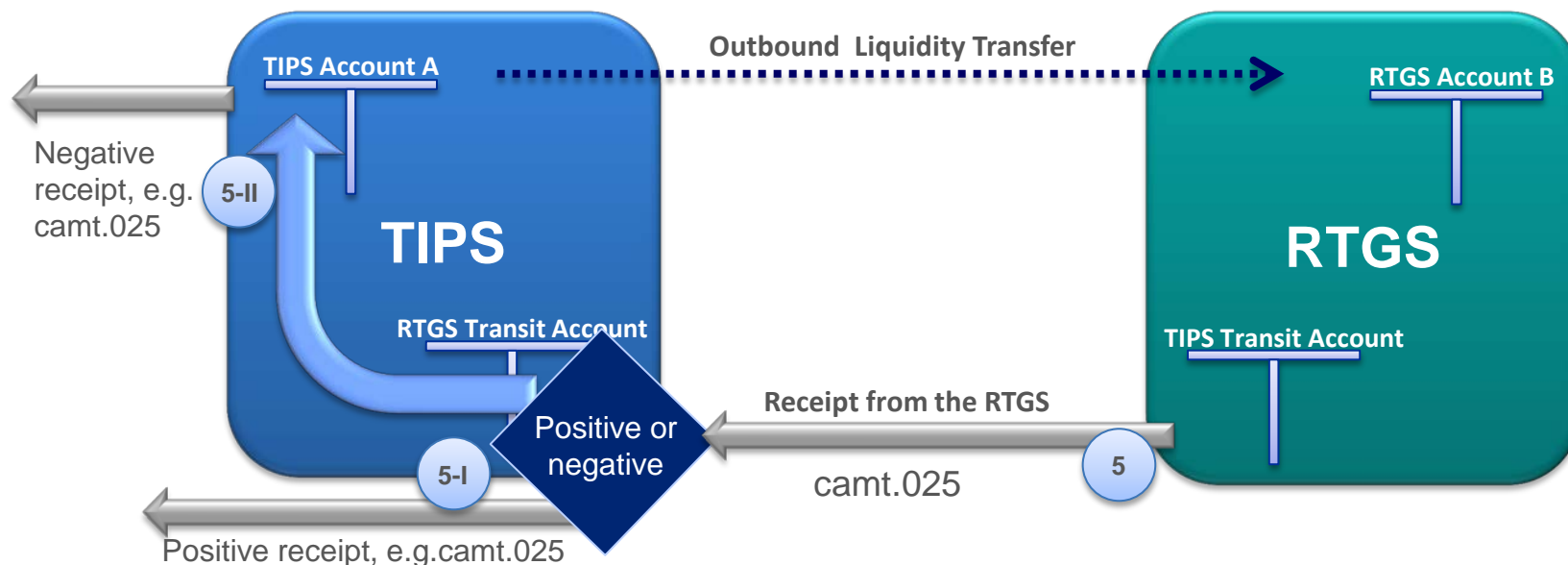
Outbound Liquidity Transfers (1/2)

- The **Outbound Liquidity Transfer** from TIPS to TARGET2 is executed based on the following steps:

    1. The liquidity transfer is initiated in TIPS

    2. The liquidity transfer is validated and settled in TIPS

    3. The liquidity transfer is routed to TARGET2

    4. The liquidity transfer is validated and settled (or rejected) in TARGET2
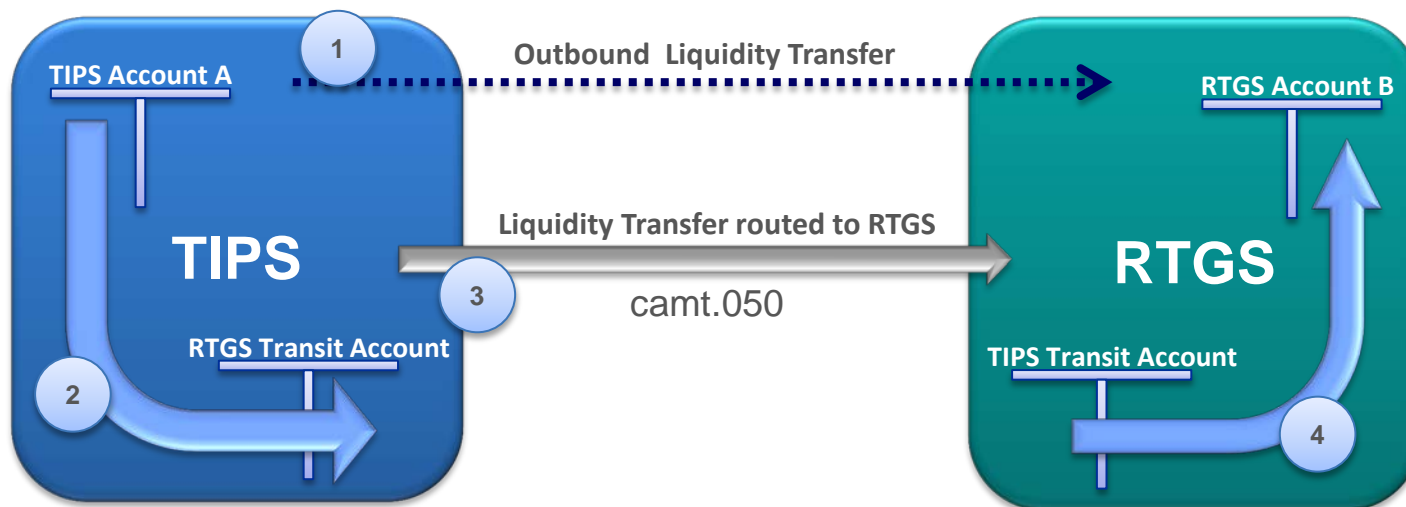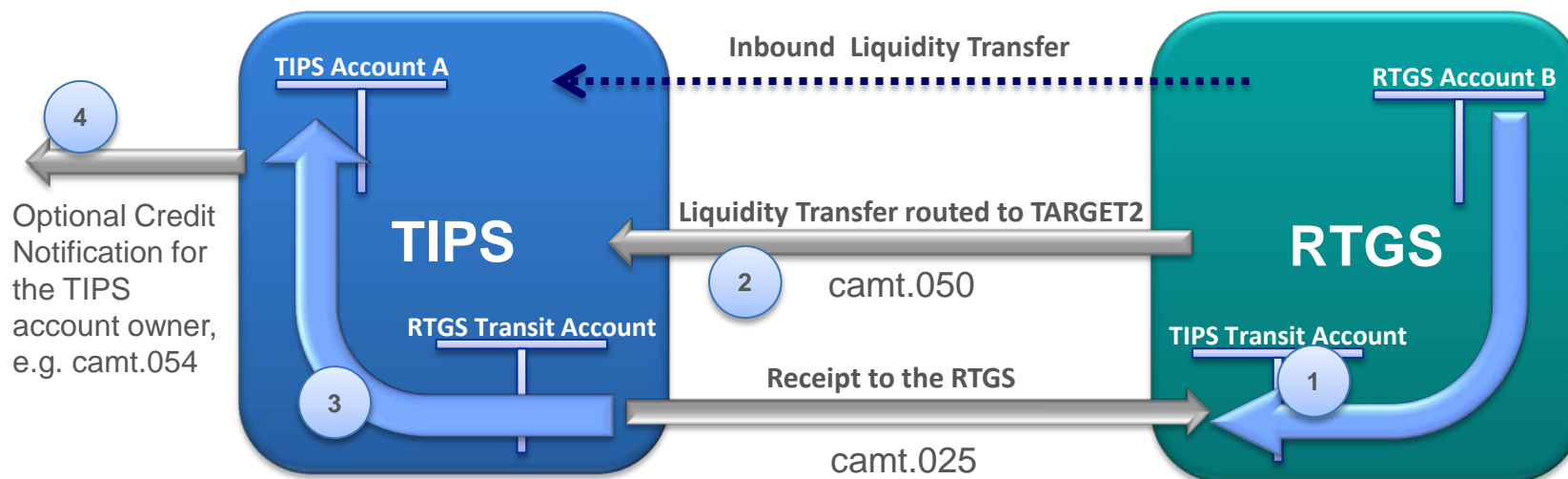
Outbound Liquidity Transfers (2/2)

- The **Outbound Liquidity Transfer** from TIPS to TARGET2 is executed based on the following steps (continue):

    5. Upon reception of the confirmation from TARGET2 , TIPS shall either

        I.   route the positive receipt to the initiator of the Liquidity transfer (in case of successful settlement in the RTGS) or

        II. transfer back the liquidity to the originator TIPS account (in case of rejection in the RTGS) and notify the initiator of the Liquidity transfer with a negative receipt

Inbound Liquidity Transfers

- The **Inbound Liquidity Transfer** from TARGET2 to TIPS is executed based on the following steps:

  1. The liquidity transfer is initiated, validated and settled in TARGET2
  2. The liquidity transfer is routed to TIPS
  3. The liquidity transfer is validated and settled (or rejected) in TIPS
  4. In case of successful settlement, a credit notification should be generated to the TIPS account owner

Minimum Reserve Calculation

- TIPS has to ensure that the reported amount of liquidity in the general ledger file is consistent, i.e. that there are no pending liquidity transfers when the snapshot is taken

- The envisaged process is the following:

    1. TARGET2 sends a camt.019 in order to signal closing of the RTGS (i.e. at 18:00); TIPS does not accept any outbound liquidity transfers anymore

    2. TARGET2 sends a second camt.019, immediately after the execution of the last algorithm, in order to trigger the general ledger calculation in TIPS; this calculation shall take place after all pending liquidity transfers have been processed (i.e. TIPS waits until all pending liquidity transfers are either accepted or rejected by TARGET2)

Raw data

Currently raw data functionality is foreseen in TIPS, according to URD sent for market consultation on 09 January 2017:

- Background is that a few Central Banks have expressed interest in raw data, based on the raw data received in TARGET2 for high value payments.

MIB has considered that the cost and risk for providing raw data does not compare with the nature of the type of payments (low value, very high volumes)

Approach foreseen for **next version** of URD:
- The provision of raw data and the relevant subscription will be removed from the scope of the URD

TIPS Directory

- The list of TIPS Participants is foreseen to be provided to the Participants and Instructing Parties once a week

- This list of TIPS Participants shares common characteristics with the TARGET2 Directory. Therefore, possible synergies could be investigated, in the scope of T2/T2S Consolidation project, in order to manage a centralised and common Directory to be provided to the T2 and TIPS participants

- The current assumption is to provide a separate directory for each service (i.e. TIPS, TARGET2) which shares common format (e.g. BIC, modification flags, validity date)

Miscellaneous topics

- Clarification on the CMB
  - Limit value is defined in the reference data
  - The available headroom is adjusted dynamically in the transactional data depending on the payment transactions processed

- The CMB does not need to have a limit attached, i.e. allowing unrestricted access to the liquidity of the corresponding account

- Additional validation on payment instructions
  - TIPS shall ensure that the IBAN is mandatory in the messages

- Usage of both BIC-8 and BIC-11 is allowed in the SCT Inst messages:
  - In case of BIC-8, the validation in TIPS shall take place by considering the BIC-8+XXX, as the BIC-11 is used for the mapping table in TIPS